

**CITY OF MORGAN HILL
JOINT SPECIAL AND REGULAR CITY COUNCIL AND
REGULAR REDEVELOPMENT AGENCY MEETING
MINUTES – July 1, 2009**

CALL TO ORDER

Mayor/Chairman Tate called the meeting to order at 6:15 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members: Carr, Sellers, and Mayor/Chairman Tate
Late: Council/Agency Members Lee, Librers (arrived to be participants in the Council's Carbon Diet Club).

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

City Council Action

OTHER BUSINESS:

1. CARBON DIET CLUB

The Council met to discuss actions it would take to reduce its carbon footprint as part of a Carbon Diet Club.

RECESS

The Council took a short recess prior the beginning of the 7:00 p.m. regular meeting session.

RECONVENE

Mayor/Chairman Tate reconvened the meeting at 7:00 p.m.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

CITY COUNCIL REPORT

Council Member Carr reported that earlier this evening, the Council met and decided to join a Carbon Diet Club, joined by City Manager Tewes and facilitated by the City's Environmental Programs Division. He invited any group or individual interested in lowering their emissions and carbon footprint to contact the Environmental Programs Division at City Hall.

CITY MANAGER REPORT

City Manager Tewes reported that he spent some time today in Sacramento on the State-wide Task Force involving counties, cities and school districts to talk about State budget reform and other matters. He indicated that everyone was in a state of shock to learn that the State failed to adopt a series of cuts in the State budget that would have allowed them to move forward with some of the issues. He learned that over 18 months, school financing has been cut by 17%. He also learned that the County is concerned about major cutbacks to various welfare programs, should the State not finance these programs. He stated that there is a disconnect in how things are being processed in Sacramento. With respect to cities, he said that there was a proposal to take tax increment monies from redevelopment agencies and make it effective June 30. He indicated that this item did not pass, but that it is still likely that the ultimate budget solution will include some additional transfers of tax increment monies from the Morgan Hill Redevelopment Agency as much as \$6 million over the next 2-3 years. He said that the voter approved 2004 Proposition 1A allows for the borrowing of property tax revenues, and that this has not been a part of the budget package until now. However, everyone expects that this will be a part of the package that is ultimately enacted because of the failure to adopt the first installment of the budget by mid night last night.

City Manager Tewes informed the Council that the City's gas tax will likely be reduced/cut in the next fiscal year and the following year. He said that the gas tax has been used to finance the City's street operations budget in the past, and had the City not made the budgetary change to move the gas tax into the discretionary general fund, the elimination of the gas tax would have led directly to turning off street lights. Should the City lose gas tax revenue, the Council will need to decide where to cut \$600,000. With respect to the Redevelopment Agency, he stated that it is not just about taking money away; it could potentially increase the City's costs. Due to the failure of the State to act on a budget, the State's bond rating has been downgraded. This will have an overall increase in interest costs for borrowing in the California. He indicated that Morgan Hill has its own bond rating and that individuals will evaluate Morgan Hill's credit separately. If there is a 1% increase in the interest rate on the City's Redevelopment Agency bonds, this would add \$1 million to costs. He stated that taking away money and increasing the City's costs will significantly affect the ability of the Redevelopment Agency to meet its objectives. Reduction of the gas tax revenue will have discretionary budget implications. He said that these implications will not be known for another couple of weeks, but that staff will keep the Council apprised.

CITY ATTORNEY REPORT

City Attorney Wan indicated that Council Member Lee requested legal briefings on the development of the State budget. He informed the Council that staff would schedule a closed session at the next meeting to brief the Council on the legal arguments that develop.

OTHER REPORTS

Mayor Pro Tempore Sellers indicated that the skate park grand opening was held on Saturday. Despite the wilting heat, it was amazing to see over 500 youth lined up and anxious to access the new skate park facility. He said that he was struck by the number of staff members in attendance; acknowledging that

the City of Morgan Hill has an organization that pushes projects forward and that it is not a bureaucracy. He thanked staff for their hard work in making this project take place for the youth in the community who will enjoy the facility.

PUBLIC COMMENT

Mayor/Chairman Tate opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

City Council and Redevelopment Agency Action

ADOPTION OF AGENDA

Mayor Tate announced that the Council has received another request to continue the item relating to the adoption of a resolution of necessity for property acquisition on Third Street. He stated that agenda item 7 would more than likely be continued at the request of the applicant.

Action: *On a motion by Council/Agency Member Lee and seconded by Mayor Pro Tempore/Vice-chairman Sellers, the City Council/Agency Board unanimously (5-0) **Adopted** the Agenda as Posted.*

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Lee, the City Council unanimously (5-0) **Approved** Consent Calendar Items 2-5 as follows:*

2. **PUBLIC WORKS MAINTENANCE AGREEMENT FOR TRAFFIC SIGNAL AND STREET MAINTENANCE FOR FISCAL YEAR 2009-10 AND 2010-11**

Action(s): 1) **Approved** new maintenance agreement for Traffic Signal and Street Light Maintenance; and 2) **Authorized** the City Manager to execute the agreement on behalf of the City.

3. **AWARD OF 2009-10 STREET RESURFACING PROJECT**

Action(s): 1) **Awarded** Contract to Graham Contractors, Inc. for the Construction of the 2009-10 Street Resurfacing Project in the Amount of \$319,516.06; and 2) **Authorized** the Expenditure of a 10% Construction Contingency in the Amount of \$31,952.

4. **JOINT SPECIAL CITY COUNCIL AND MORGAN HILL UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION MEETING MINUTES OF JUNE 10, 2009**

Action(s): **Approved** the Minutes as Written.

5. **ADOPT ORDINANCE NO. 1945, NEW SERIES**

Action(s): *Waived the Reading, and Adopted Ordinance No. 1945, New Series, and Declared That Said Title, Which Appears on the Public Agenda, Shall be Determined to Have Been Read by Title and Further Reading Waived; Title as Follows: **AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL AMENDING CERTAIN SECTIONS OF CHAPTER 3.56 (Development Impact Mitigation Fees) OF THE MUNICIPAL CODE OF THE CITY OF MORGAN HILL TO DELETE GEOGRAPHIC LIMITATIONS FOR USE OF IMPACT FEES FOR THEIR LAWFUL PURPOSES.***

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Mayor Pro Tempore/Vice-chairman Sellers and seconded by Council/Agency Member Lee, the City Council unanimously (5-0) Approved Consent Calendar Item 6 as follows:*

6. **JOINT REGULAR CITY COUNCIL AND REGULAR REDEVELOPMENT AGENCY MEETING MINUTES OF JUNE 17, 2009**

Action(s): *Approved the Resubmitted Minutes as Written.*

City Council Action

OTHER BUSINESS:

7. **CONTINUE HEARING AND CONSIDER ADOPTION OF RESOLUTION OF NECESSITY FOR PROPERTY ACQUISITION FOR A MUNICIPAL PARKING LOT**

Mayor Tate re-announced the request to continue this item. He re-opened the floor to public comment. No comments were offered.

Action(s): *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Lee, the City Council unanimously (5-0) Continued this item to July 15, 2009.*

PUBLIC HEARINGS:

8. **ANNUAL REPORT FROM THE MORGAN HILL DOWNTOWN PROPERTY BASED IMPROVEMENT DISTRICT – Resolution No. 6259**

Director of Business Assistance & Housing Services Toy presented the staff report; requesting that the Council adopt a resolution that would approve the Morgan Hill Downtown Property Based Improvement District (PBID) Annual Report, and to authorize the submittal of assessments to the County for Fiscal Year 2008-09. He identified the accomplishments for Fiscal Year 2008-09 as well as the planned workplan items for Fiscal Year 2009-10. He said that one of the key workplan items is to have staff work with PBID on a plan to cover the maintenance of new parking lots as well as enhanced lighting in

the downtown. He indicated that the proposed budget for PBID in Fiscal Year 2009-10 is \$167,000 which equates to \$72,000 in assessments to be collected in Fiscal Year 2009-10 as well as carry over in the fund balance of \$95,000.

Mayor Tate opened the public hearing.

Rocke Garcia, PBID vice-president, informed the Council that he was in attendance this evening to speak on behalf of the PBID Board and on behalf of Gary Walton, PBID President, who could not be in attendance this evening. He said that the PBID Board is proud of what has been accomplished in the downtown, and that they are looking forward to next year. They are holding back a little because they would like to find out what the City will be doing regarding the Monterey thoroughfare (e.g., one lane or two lanes in each direction). Once this determination is made, they will expend more of their dollars. He addressed some of their accomplishments such as tree lighting down the center of Monterey Road; all of the downtown area has wifi capabilities; they paid for shopping bags to encourage shopping in the downtown and painted poles to spruce up the downtown. He requested that community members not tape signs to poles because it would remove new paint. He stated that the Board is looking forward to the completion of the Third Street Promenade. He thanked the Council for its cooperation and funding.

No further comments being offered, the public hearing was closed.

Mayor Pro Tempore Sellers acknowledged that there is a lot of coordination between the City, PBID Board, and the Downtown Association. He noted that the PBID Board has its own agenda and felt that this is a good thing as a lot of the items they undertake are ones that cannot/should not be done by the public sector, or cannot be done by the Downtown Association. It struck him that the PBID Board has its own agenda and that the items they are pursuing are complimentary, but distinct in the downtown. He thanked the PBID Board for all the work they have undertaken in the areas identified, and that he looks forward to seeing more activities next year.

Mayor Tate said that he walked the downtown today and walked by the former liquor store located at the corner of Third Street and Monterey Road. He noticed that the property has been cleaned up, the signs have been removed, and that the parking lot located next door has been paved.

Council Member Carr stated that he was surprised that we are in year four with PBID. He referred to item 6.6 – organizational goals. He felt that the organizational goals will be important in year 4 and 5 as the PBID Board thinks about an exit strategy. He recommended that the PBID Board think about their exit strategy, should the PBID not be renewed, and to talk about the successes of the PBID so that the property owners can adequately choose whether they want to continue with the PBID. He was pleased to see an entire section devoted to the organizational goals and that the Board is thinking long term as to what may happen in year 5.

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Lee, the City Council unanimously (5-0) **Adopted** Resolution No. 6259, Approving the Morgan Hill Downtown Property Based Improvement District (MHDPBID) Annual Report.*

9. CONSIDERATION OF EXTENSION OF MORATORIUM ON THE ISSUANCE OF MASSAGE PRACTITIONER PERMITS, MASSAGE ESTABLISHMENT PERMITS AND MANAGING EMPLOYEE PERMITS – Ordinance No. 1946, New Series

City Attorney Wan indicated that the Council previously adopted an urgency interim ordinance; placing a moratorium on issues relating to massage parlor permits for 45-days. In the 45-day interim period, a report was prepared (Exhibit A to the staff report) that outlines what staff and the City has done to date to try to alleviate the conditions that led to the moratorium. Exhibit A summarizes that staff has looked at the locations of existing establishments and the problems associated with some of the establishments. Staff also looked at how the ordinance needs to be amended in order to comply with new state law that governs massage therapist licensing; as well as looking at zoning ordinance application changes to determine appropriate locations for future massage parlor establishments. In order to extend the moratorium, the Council will need to take action to adopt the report to show that the City has indeed taken actions since the adoption of the 45-day moratorium to alleviate conditions. He requested the Council adopt the report and the additional urgency interim ordinance that would extend the moratorium for an additional 10 months and 15 days. He said that adoption of the urgency interim ordinance would require a 4/5 vote of the Council.

Council Member Lee raised the concerns previously raised by some of the spa operators in the city about their ability to hire staff. She inquired whether the action(s) before the Council allows existing establishments to hire staff.

City Attorney Wan clarified that existing establishments with valid licenses would be able to hire new massage therapists and get their applications for permits processed/approved.

Mayor Tate opened the public hearing. No comments being offered, the public hearing was closed.

Mayor Pro Tempore Sellers thanked staff for their work on this and for figuring out a way to make this happen as this is an important issue the City has had difficulty addressing in the past.

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **Adopted** the Written Report Describing the Measures Taken to Alleviate the Condition Which Led to the Adoption of the Original 45-day Urgency Ordinance.*

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Carr, the City Council unanimously (5-0) **Adopted** Interim Urgency Ordinance No. 1946, New Series, as follows: **AN INTERIM ORDINANCE OF THE CITY COUNCIL OF THE CITY OF MORGAN HILL EXTENDING THE MORATORIUM ON THE ISSUANCE, ENTITLEMENTS, LICENSES AND APPROVALS OF MASSAGE ESTABLISHMENT PERMITS, MASSAGE PRACTITIONER PERMITS AND MANAGING EMPLOYEE PERMITS, PENDING APPROPRIATE AMENDMENTS TO THE MORGAN HILL MUNICIPAL CODE.***

10. MODIFYING AND ADJUSTING THE POLICE FALSE ALARM CHARGE BY ADDING AN ALARM REGISTRATION FEE AND REDUCING EXEMPTIONS FROM THE POLICE FALSE ALARM RESPONSE FEE – Resolution No. 6260

City Manager Tewes informed the Council that the staff report correctly indicates that the recommendation is to adopt a resolution; while the agenda fascia talks about introducing an ordinance. He clarified that staff is requesting the Council adopt a resolution.

Commander Swing indicated that on May 27, 2009, the Council approved a revised alarm ordinance. Being presented this evening are the revised fees associated with the alarm ordinance. He indicated that staff followed the direction of the Council and adopted a “phased in” approach: for the first fiscal year of the program, 2 free alarm responses will be included for the first 90 days of implementation, and the registration fee is to be set at \$10 instead of \$50.

Council Member Lee inquired how it would be determined that a false alarm has occurred as opposed to a break in without anything being taken.

Commander Swing said that police officers responding to calls will look for obvious signs of intrusions. In most cases, the police officers will see no intrusion and will make the determination that a false alarm has occurred.

Mayor Tate opened the public hearing. No comments being offered, the public hearing was closed.

Action: *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Lee, the City Council unanimously (5-0) **Adopted** Resolution No. 6260.*

Redevelopment Agency Action

PUBLIC HEARINGS:

11. LEASE AGREEMENT WITH VARIOUS TECHNOLOGIES, INC. DBA ECO-SPARC

Director of Business Assistance & Housing Services Toy presented the staff report and addressed the terms of the lease agreement between the Redevelopment Agency and Various Technologies, Inc. doing business as Eco-Sparc. He said that Eco-Sparc is proposing to conduct retail sales of electric power vehicles, scooters and accessories in the Downtown Mall. As part of the lease, they would be renting the vacant space located behind the building formerly known as Techon, owned by the Redevelopment Agency. They would use the outdoor space as a charging station. Based on the current economic climate, it is staff’s belief the proposed rent of \$1,000 for the first 12 month period is reasonable. At the end of the 12-month period, the rent would increase to \$1,850 per month, on a month to month basis. The Agency would be responsible for payment of all utilities; however, Eco Sparc would be responsible for PG&E costs related to the charging station located behind the Techon building. Based on the current economic climate, the location of the unit and the short term rent commitment from the Agency; staff believes the proposed rent and the return is reasonable. He indicated that the tenant expects to invest

approximately \$10,000 in tenant improvements; thus, the request for the rent reduction from \$1,850 to \$1,000 per month to allow them to amortize their investment and tenant improvements.

Agency Member Lee said that in reading the staff report, there was discussion about removing a wall.

Mr. Toy clarified that a storage closet wall is being removed.

Vice-chairman Sellers felt that the use would complement the downtown. He indicated that the overhang in front of the building was installed when the trees were small. Now, the trees restrict the views. He inquired if it would be prohibitive to remove or alter the overhang.

Mr. Toy said that the previous owner had an architect evaluate the awning. It was determined that if the awning was removed, the building might come down. It was decided to retain the awning. He clarified that staff has not conducted its own independent analysis.

Chairman Tate opened the public hearing. No comments being offered, the public hearing was closed.

Vice-chairman Sellers said that he was excited about seeing new technology and the opportunity to expand into other areas in the downtown. The owner has indicated that they are talking about manufacturing and other activities in the future. He noted that this is an incubator activity and will generate activities the City is looking for in the downtown.

Action: *On a motion by Vice-chairman Sellers and seconded by Agency Member Lee, the Agency Board unanimously (5-0) **Approved** the Lease Agreement Between the Morgan Hill Redevelopment Agency and Various Technologies, Inc. dba Eco-Sparc for Space Located at 17490 Monterey Road, Unit 8, Morgan Hill.*

Redevelopment Agency Action

OTHER BUSINESS:

12. FUNDING REQUEST FROM THE MORGAN HILL CHAMBER OF COMMERCE REGARDING ECONOMIC DEVELOPMENT AND TOURISM ACTIVITIES

Director of Business Assistance & Housing Services Toy presented staff's recommendation that the Agency Board authorize the Executive Director to prepare and execute an agreement with the Morgan Hill Chamber of Commerce in an amount not to exceed \$18,400 or \$120,500; depending on the selected proposal for economic development and tourism activities. He indicated that during the budget approval process, the Chamber of Commerce submitted two proposals for Agency Board review: 1) continue to provide supplemental economic development services and regional tourism at the current funding level, or 2) substitute a large portion of the economic development activities with local tourism activities. He informed the Agency Board that the Chamber of Commerce would like to pursue option 2 at this time. He stated that both proposals were included in the staff report. At the budget workshop, the Agency Board indicated that it would like the Chamber to provide the City with a list of businesses in order to evaluate the City's return on investment. He informed the Council that the Chamber has indicated that

hotels, restaurants and some businesses would allow the development of a baseline analysis to evaluate any increases in the Transient Occupancy Tax or sales tax. However, he felt that it would be hard to determine if any increase in tax dollars would be directly attributed to the Chamber's activities. He felt that this information would provide the Agency with some level of performance measures on the Chamber's activities.

Mr. Toy noted that the Redevelopment Agency does not have a local tourism program and that this may be something it would like to try as a pilot program; evaluating the program measures to see if this would be something it would like to pursue the following year.

Chairman Tate opened the floor to public comment.

Agency Member Lee inquired as to what type of website tracking would be utilized.

Tim Hendrick, Chamber of Commerce 2009 Chair, said that they will be conducting joint efforts, from a promotional standpoint, with partners such as hotels, restaurants, etc.; building a promotional coupon capability. He said that software will track where individuals are coming from. The Chamber of Commerce would ask businesses in the community to track where their business is coming from. The Chamber will also ask businesses if they would be part of a \$10 off coupon as a promotional piece that would allow tracking of the source of business.

Christine Giusiana, Chamber of Commerce President/CEO, said that when they conduct joint promotional activities with the Gilroy Business Bureau, they take joint pieces of information as well as individual promotional information. She indicated that the Gilroy Business Bureau has partners and are able to provide glossier/flashier marketing materials than Morgan Hill is able to produce. She said that the Chamber of Commerce has incorporated a raffle in the Sunset Magazine Travel Show, and that they keep a database when individuals enter a raffle. She said that the Chamber could start to track where individuals are picking up the Chamber's promotional information. If e-mail addresses are provided in raffle information, this information could be added to the database. She indicated that information is being entered manually as their website does not have the ability to track information.

Chairman Tate stated his support of the Chamber's option 2 request; requesting that the Chamber provide measurements that would attribute to their tourism efforts/results.

Ms. Giusiana informed the Council that she has met with several of the hotel managers in town, and that the Chamber will be helping them partner with other entities that are proposing events (e.g., BMX event, etc.), and provide information on other activities that can be undertaken while they are in town. Doing so would allow the Chamber to track how many individuals are staying at the hotels for an event.

Mr. Hendrick said that when organizations bring events to Morgan Hill, the Chamber would like to be able to partner with them and share resources; obtaining their mailing/e-mail list in order to promote Morgan Hill even further.

Chairman Tate requested that this be reported as part of the Chamber's regular reports so that the Agency Board can understand what is taking place and assist, when possible. He indicated that a couple of years ago, the Chamber indicated that their request for funding would go down. He stated that he

would like to see a plan for reducing the Chamber's funding request from the Agency Board. Should the Chamber be successful and receive a lot of tourism dollars, what will this do to their request for funding in the future? He stated that he would like to see how the Chamber would approach future funding requests as part of this plan.

Ms. Giusiana noted that the Chamber has reduced its reliance on the Agency Board for funding from \$31,000 to \$22,000. This will enable the Chamber to work with partners to attain the promotional materials. She informed the Agency Board that their administrative costs will come out of the initial costs and would lower administrative costs in the future. Once the materials are produced and businesses see the results of this effort, the Chamber could start partnering with businesses. Therefore, the costs for administration would be reduced.

Chairman Tate requested that the Chamber identify how it plans to accomplish this as part of their plan.

Agency Member Carr requested that the Chamber of Commerce talk about the successes/lack of successes with their previous endeavors in regional tourism in partnership with Gilroy.

Ms. Giusiana said that there have been no downsides to regional tourism. Because of the Chamber's partnership with Gilroy, it has given them a stronger foothold to be recognized as an individual city and a tourist destination as Morgan Hill has different activities to offer. She acknowledged that Gilroy has Gilroy Gardens and the premium outlets. However, more and more individuals are looking for additional things to do that are free or less expensive. She noted that Morgan Hill has Lake Anderson, Henry Coe Park, horseback riding, Bear Ranch, the wineries, etc. She presented the Council with a brochure that was included in the Sunset Magazine that emphasis what Morgan Hill has to offer. She stated that the Chamber is trying to take advantage of the successes found with the regional partnership, and is branching out to do more local tourism. The Chamber is still conducting its economic development efforts, but that there will be less duplication with the City of Morgan Hill.

Agency Member Carr expressed concern that the Chamber is starting a new program, and that he would like to see what the Chamber would be giving up in order to start a new program. He noted that the City is not expanding staff or resources, as the City is shifting its resources. He wanted to make sure the City is not spreading things out too thin and not achieving/seeing successes.

Ms. Giusiana acknowledged that there will be strong emphases on local tourism in order to build up partnerships. However, by nature of being the Chamber of Commerce, they would automatically be heavily involved in economic development. The Chamber will still be out there trying to get/retain businesses; attending trade shows and participating whenever possible.

No further comments were offered.

Agency Member Lee noted that the measurements being discussed this evening was information she requested from the former Chamber of Commerce director. She stated that she was disappointed that after two years of asking for a matrix of information that identifies the number of individuals taking information from the Chamber of Commerce that resulted in someone coming to Morgan Hill and spending time and money in the community has not yet been presented. It is her hope that information

would be provided to determine whether the activities being performed by the Chamber are bringing individuals to Morgan Hill and that they are spending money locally.

Agency Member Librers acknowledged that the Chamber of Commerce favors proposal number 2. However, she expressed concern with the economic development aspect as the Director has stated that the Chamber will still be doing the same amount of work, but not charging the City for the work. She did not know how the Chamber of Commerce could take on a brand new program and still do the same amount of economic development with limited staff. It was her belief that economic development is equally as important as tourism. She was not sure if City staff can take on economic development.

Vice-chairman Sellers acknowledged that the same issues have been raised in the past. He said that a lot of economic development activity starts at the Chamber and that the Chamber would be the conduit for information. He said that the conversation leads to the Agency Board's desire for quantifiable goals. He felt that it would be valuable to have quantifiable data; noting that Mr. Hendrick and Ms. Guisiana have outlined ways for this information to be provided. He felt that providing quantifiable measures would help to know what the transient occupancy tax is and how many new hotel bookings have been made. He would like to hear from the hoteliers as they have a good idea as to who is coming to stay at their hotels and why. Hoteliers would know the economic development growth attributed to literature produced by the Chamber and other activities. He requested this information be incorporated into subsequent reports. Of the two proposals, he prefers option 2 because it requires less funding and has a lower overhead. Option 2 also places emphasis on tourism and what we have/do not have in the community.

Agency Member Lee noted that the Agency Board has been requesting quantifiable measures for two years, and that the Board has yet to receive this information; a concern to her.

Chairman Tate stated that he supports option 2 because it would shift the focus to something that is measurable, and that the information provided would show whether we are heading in the right direction. He felt that the Chamber needs to put the information together and bring it to the Agency Board on a regular basis.

Agency Member Carr appreciated the effort of trying to take the successes of a regional partnership and applying it locally for businesses. He felt that proposal 2 provides this emphasis and change. He expressed concern with how the change in focus would affect resources. He recommended that focus be given to doing a few things well. Should the Agency Board move forward with proposal 2 this evening, he acknowledged that the Agency Board would want to see performance measures in a year. As there is a change in direction, he did not believe the Agency Board will know a whole lot. He recommended that the Agency Board give some of the items the opportunity to succeed. It could be that the Agency Board will learn that the economy will be a factor in everything the Chamber does as is being experienced by most of the items the City is working on these days. He recommended that the Agency Board determine whether the proposal is heading in the direction it is trying to go in its planning and economic development efforts. Does the proposal coincide with the goals/policies the City is trying to achieve in the Southeast Quadrant and the work associated with the general plan? If so, there needs to be some commitment to seeing this through and to see if there are great successes.

Action: *On a motion by Vice-chairman Sellers and seconded by Agency Member Carr, the Agency Board unanimously (5-0) **Authorized** the Executive Director to Prepare and Execute an Agreement with the Morgan Hill Chamber of Commerce for an Amount Not To Exceed \$118,400, as outlined in Proposal 2.*

13. FUNDING REQUEST FROM THE MORGAN HILL DOWNTOWN ASSOCIATION

Director of Business Assistance & Housing Services Toy indicated that this item is a request to accept the annual report from the Morgan Hill Downtown Association (MHDA) and to authorize the Executive Director to prepare and execute an agreement with MHDA in an amount not to exceed \$99,000. Based on comments received at the budget workshop, MHDA has reduced its request for funding from \$110,000 to \$99,000, a 9% decrease from the initial request. He stated that MHDA estimates they would receive an operating income of \$24,000 this year and \$31,000 next year. He noted that last year, MHDA indicated that they have a five year business plan to try and reduce Agency funding from \$110,000 to approximately \$50,000. It was his belief that MHDA will always require some level of funding assistance, but would be reduced substantially.

Chairman Tate opened the floor to public comment.

Jorge Briones, MHDA Executive Director, indicated that he would respond to any questions the Agency Board may have.

Eric Wallace said that he has had the pleasure and honor to work with MHDA for three years, and that he has seen tremendous changes. He indicated that MHDA was involved in getting Measure A passed this year. He thanked the Agency Board for its support.

Chairman Tate noted that MHDA brought in \$24,000 this past year and that they are asking for \$11,000 less in funding. Next year, MHDA projects that it will bring in \$30,000. How would the City know what funding request will be sought next year, should MHDA achieve \$30,000 in revenue? Will MHDA reduce its funding request by \$11,000 each year?

Mr. Briones acknowledged that MHDA put together a five year business plan last year, and that it is their hope to be a little more aggressive. In looking at what has been accomplished in the past 12 months, MHDA has not gotten to the point where they are generating 30% of their own revenues. MHDA is projecting what it thinks it will do, and that they believe these are realistic projections. He said that MHDA has had an increase in frequency of events such as the street fair, concerts and movie nights that led to additional revenue. They understand that times are difficult and that the City is facing difficult challenges. However, they value their partnership with the City, and advocating for the downtown. He clarified that \$24,000 was generated from their events.

Agency Member Librers complimented Mr. Briones on the transparency included in the report presented with all the disclosures in MHDA's budget. She also complimented MHDA for increasing its membership.

Agency Member Lee was pleased with the visibility that MHDA has made with the inclusion of more events, and in working to get more individuals to the downtown. She acknowledged that MHDA may

not get to where it wants to be every year due to economic times, but felt that they are heading in the right direction.

In response to Agency Member Carr's question, Mr. Briones stated that the \$24,000 was generated through events (e.g., sponsorships, ticket sales, increase in memberships, etc.). He said that the 3 hour downtown wine stroll event assisted one downtown merchant in being able to generate enough revenue to cover their month's lease. The Thursday street dances resulted in a report back from restaurants and merchants at a downtown merchants' committee meeting that they are starting to see people in the downtown Thursday nights who are frequenting restaurants with some of the businesses staying open. MHDA was able to hold a California Auto Classic event on a Sunday afternoon in October that was applauded by the merchants as being an event that brought the right people to the downtown who are returning and becoming monthly/bi-monthly visitors.

Agency Member Carr stated that he was pleased to hear about the success stories as this leads him to believe the downtown merchants are coordinating their efforts with MHDA's efforts. He indicated that he has heard from individuals who enjoy attending these events; yet expressing concern that the merchants are not opened for business at the same timeframe as the events. He said that it sounds as though this is changing and that this is a positive thing.

Mr. Wallace acknowledged that there was no coordinated effort by the downtown merchants in past years; however, this has changed. He said that the wine stroll was a direct representation of the downtown businesses coming together as a team to make it a success. He said that MHDA was hoping to sell 150-200 tickets to the wine stroll, but ended up selling over 400 tickets with individuals coming to the downtown wanting to participate in the event. He said that there has been a change in the involvement/attitude of the business owners, and that the Thursday night music series is a direct representation of the unique change that has occurred.

No further comments were offered.

Vice-chairman Sellers noted that the City will be completing the Third Street Promenade this fiscal year. He felt that this would be an opportunity to develop this area as a unique venue; coinciding with the Downtown Association's emergence in their ability to add events. He requested that MHDA become creative in planning events at the Third Street core area as the facility comes underway in spring/summer of 2010. He was pleased to see that MHDA is putting money away and trying to think of what is next to build such as an ice rink or other facilities in subsequent years. He stated that funding would be an investment to the future of the downtown, and that having MHDA thinking ahead is appreciated.

Action: *On a motion by Vice-chairman Sellers and seconded by Agency Member Lee, the Agency Board unanimously (5-0): 1) **Accepted** the Annual Report; and 2) **Authorized** the Executive Director to Prepare and Execute an Agreement with MHDA in an Amount Not To Exceed \$99,000.*

14. BELOW MARKET RATE (BMR) FORECLOSURE POLICY – Resolution No. MHRA-300

Business Assistance & Housing Services Manager Ordoñez indicated that this is a follow-up item from the Agency Board's May 27, 2009 meeting. At that meeting, the Agency Board heard information regarding the City's BMR foreclosure situation and reviewed draft procedures. At the May 27 meeting, staff was able to highlight three items and the Agency Board provided direction. He stated that the resolution before the Agency Board addresses the three items: 1) the maximum purchase price the city should negotiate in terms of BMRs to be acquired. It was the Agency Board's direction to set a maximum purchase price or the appraisal, whichever is lower. 2) The timeframe for any delegated authority for staff. The Agency Board weighed in that a 12-month period would be appropriate. 3) With respect to how much money should be allocated toward these purchases, it was the Agency Board's direction that it be \$750,000. He stated that this information has been reflected in the resolution before the Agency Board.

Chairman Tate opened the floor to public comment. No comments were offered.

Action: *On a motion by Vice-chairman Sellers and seconded by Agency Member Carr, the Agency Board, on a 4-1 vote with Agency Member Lee voting no: 1) **Adopted** Morgan Hill Redevelopment Agency Resolution No. 300, Adopting Criteria for the Purchase of BMR Units upon Homeowner's Mortgage Default or Foreclosure; and 2) **Authorized** the Executive Director to Purchase BMR Units Satisfying the Criteria as outlined in the Resolution.*

City Council and Redevelopment Agency Action

WORKSHOP:

15. HOUSING FINANCING WORKSHOP

Business Assistance & Housing Services Director Toy presented a PowerPoint presentation for the Housing Financing workshop. He identified possible funding to help with the financing gap in projects. He said that the State's budget crises has detrimentally impacted housing projects as the State has frozen many of the funds it committed to several projects. He identified policy questions as follows: Issue #1: How should the City and RDA "reprioritize" these affordable housing developments. Issue #2: Should the City and RDA assist projects impacted by the State "freeze" with bridge loans so that they can be built? Issue #3: Should the City and RDA assist projects with financing gaps? Issue #4: Should the Down Payment Assistance Program be made consistent with the new citywide Down Payment Assistance Program which does not change the interest during the deferral period?

Mr. Toy addressed the status of the current affordable housing projects such as Habitat for Humanity Silicon Valley (six affordable ownership project – frozen State funding in the amount of \$500,000), The Crossings apartment project (24-units with a funding gap of \$300,000 with a potential gap should the State freeze \$2.1 million), Madrone Plaza (gap can range from \$900,000 - \$4 million), Crest Avenue Apartments (42 units - no additional funding being requested at this time. Should the developer not be

able to secure permanent financing, they may come back in 2010 to request financing assistance), Horizons (50± senior housing units – no agency funding being sought at this time – applying for tax credits), and the Casa Diana/EAH Senior Apartment (40 unit project – applying for tax credits and have a funding gap of \$1.5 million of which \$400,000 would be additional funds and \$1.1 million would be a loan to the project). He addressed staff's recommended funding prioritization as follows: 1) fund projects currently under construction; 2) fund projects impacted by the "freezing" of State funds and, if interim financing is provided, the projects could begin construction, and 3) fund projects requiring additional funding commitments to close "financing gaps" so that they can apply for financing or secure tax credit equity.

Council/Agency Member Lee inquired as to what would happen should State funds remain frozen. Would the City be providing loans and grants to projects without getting repaid within the timeframe expected?

Mr. Toy said that it could take a while for the City to be reimbursed. It was his understanding that there is a commitment to reimburse the City when the frozen State funds become available. He said that in the Fiscal Year 2009-10 budget, \$2.5 million was reserved in anticipation of having to provide bridge funding for these projects in addition to an unallocated fund balance of \$2 million.

Council/Agency Member Carr noted that rehab projects were not included in the priority list versus new projects.

Mr. Toy said that staff identified projects of higher priorities. He informed the Council that the Crossings project has an application with the State for MHP funds in the amount of \$2.1 million; however, these funds are frozen. Staff is not recommending providing interim funding at this level because of the uncertainty at the State level, should there be an ERAF take or if the gaps for the other projects end up being more. He noted that the Madrone project is under construction, and that staff sees this to be a higher priority project. Staff may return to recommend bridge funding for the Crossings project. He indicated that the Crest project has interim financing at this time, and may need to look for financing in the next 1.5 years. Staff is recommending a \$2.4 million loan to the Crest Avenue project, but that they would need to obtain \$2 million in financing. He stated that there is a possibility that there will be no lenders willing to make a loan to the project, in which case, the City may need to step in to assist. However, it is premature to determine this at this time. It was his belief that staff would have a better idea about financing needs in a year.

Mayor/Chairman Tate noted that the Madrone project has been identified as the highest priority project because it is under construction and the City would like to see it completed. He noted that the project requires the largest amount of financing assistance. He inquired whether there was a middle ground in terms of keeping the project going. What would happen if it is found that the project needs additional funding assistance, more than the City can commit to?

Mr. Toy said that staff has been talking to South County Housing about the Madrone project. It was his belief that there is a financing gap of \$900,000 and that they would need this amount in financing as well as \$3.1 million in interim financing. Staff believes that a request for interim financing would return to the Council because BEGIN funds have been frozen by the State. However, the State has indicated that once the BEGIN funds are released, the City would be reimbursed. He said that CalHome funds are

funds that South County Housing directly receives from the State. The City would need an agreement from South County Housing that they would reimburse the City once these funds are released as well as consideration from the State that this is an eligible expense. He indicated that the City has \$1.6 million that would help with Madrone's construction financing, and \$900,000 could be additional down payment assistance to the buyers of the units for this project. He informed the Council/Agency Board that South County Housing is requesting that 11 of the affordable units be converted to unrestricted market rate units to help finance the project. Staff is counting on the lenders to reduce some of their interests as well as their contractors to participate in better pricing. It was his belief that South County Housing is not seeking developer fees and that this would be their contribution to the project. He stated that staff has been working toward reducing the permanent financing from the Agency to the project.

Mayor Pro Tempore/Vice-chairman Sellers noted that there is another policy question about the parameters under which the City would develop a down payment assistance program. He noted that the program is primarily targeted toward City employees. Was staff looking at applying the same parameters to this program universally?

Mr. Toy clarified that the City is rolling out a down payment assistance program city-wide, and that staff recommends the same parameters apply. He stated that \$900,000 could come out of the pot the City has set aside for the city-wide down payment assistance program.

Mayor Pro Tempore/Vice-chairman Sellers felt that there would be a number of policy issues that would impact each. He did not know if the Council/Agency Board should establish parameters and set the bar higher; asking employees to put a little more into the program than has been done in the past. He felt that there could be a different set of priorities for this program. He expressed concern that the City may establish a universal down payment assistance program, and end up with a program that the Madrone project can/cannot use; losing balance of the program.

Mr. Toy informed the Council/Agency Board that staff is trying to structure the down payment assistance program to be consistent, city-wide. He acknowledged that it would take some time to implement the program as there are other financing agreements with other sources such as BEGIN, CalHomes, and HFA.

Mayor/Chairman Tate inquired whether the conversion of 11 units to market rate units would fit with what the City is doing with other developments in terms of the BMR reduction program. Would the City be setting a precedent that others would request similar consideration?

Mr. Toy confirmed that the conversion to market rate units would be similar to the BMR reduction program. The developer would need to come back to the Council and amend their development agreement. The difference is that South County Housing was the only developer to compete for the affordable units and that the conversion to market rate units would not impact other projects. However, they could impact future projects, should the Council/Agency Board decide to implement the policy to the affordable set aside category.

Mayor/Chairman Tate opened the floor to public comment.

Dennis Lalor, South County Housing, informed the Council/Agency Board that many of the State's funding sources have been reinstated and some funds are flowing. He is expecting to be able to attain State funding. He stated that the value of the project has diminished. He stated that the bank cannot lend them any more money because the security/collateral does not exist. He will be accessing State funds; indicating that they would obtain a \$1.6 million 10-year loan from the State Help Funds. These monies will be used to finish the construction of the project. The down payment assistance funds, CalHome and BEGIN funds would be used to help repay the loan. He stated that he could not predict the exact timeline when State funding would become available.

Mayor Pro Tempore/Vice-chairman Sellers noted that staff mentioned that South County Housing will be going back to its lenders as well. He felt that it would be important for lenders to participate in refinancing the project. Would the actions taken by the City make a difference in discussions with lenders?

Mr. Lalor stated that his relationship with Wells Fargo Bank has been very collaborative over the years, and that they have been doing everything they can to make this project work. It was his belief the project is at a point where it can see the finish line because of the additional funding the City would be making available. He felt that it would be in everyone's interest to move this project forward. He has gone back to speak with his contractors to see if they can make adjustments. He stated that the bank has made and would continue to make adjustments to their program in order to see this project completed.

Mayor Pro Tempore/Vice-chairman Sellers indicated that we are dealing with a new set of rules and new set of realities. He understands that the bar is higher for financial institution in order to be able to lend monies. It was his belief that to the degree the City can provide certainty to an uncertain market; it would help the banks do a little more. He was pleased to hear that this would be the case.

Council/Agency Member Lee inquired if there was a chance that should the City extend the loans and grants for the projects that either the banks or the State may conclude that a project no longer needs funding because the City has extended funding based on the financial difficulties the State is experiencing.

Mr. Lalor stated that the source of funding is from bonds supported and passed by the voters. They competed for these funds and were awarded the funds. He stated that South County Housing has every expectation that the State would honor these commitments.

Mark Irving, Urban Housing Communities (UHC), addressed the Horizons senior housing project. He informed the Council/Agency Board that this project submitted for the 9% tax credit application and that he was confident the project would receive allocations. He indicated that he has a tax credit investor in line, and that they are waiting for the September 9 date. He is optimistic that this project would receive tax credits. He stated that the Crossings is a rehab project; receiving MHP funding allocation in July 2008 as well as tax credits. However, when they went to close financing on the project, the State did not provide the funding. In December, the State issued a letter about the commitments made; indicating that they would not be moving forward with the commitments. At that point, their lender asked for an astople certificate. However, the State indicated that they do not provide these; therefore, they are at a standstill. He indicated that they have submitted for ARRP funding, and that they would know by August 5 about the tax credits. With respect to MHP funding, he stated that the State appears to be running business as

usual in terms of the 4% bonds, the TOD funds, and the infill bond money. He has been informed that the State has approximately \$100 million that they will be allocating. There will also be another MHP round. He could not inform the Council/Agency Board that the check is in the mail, but that they would like to think so as they are close to moving forward with the project. He was not sure if they would need backfill funding. Should they receive a good boost in tax credits and some AHP funding, he did not believe that backstop funding would be needed.

Mayor Pro Tempore/Vice-chairman Sellers referred to the Crossings rehab project; noting that the timing issues are different for this project than they are for the other projects. However, it sounds as though financing is lined up, they are waiting for State funding and that other areas of uncertainty would be cleared up. It could be that the City may need to have a role in this project. He did not believe timing is critical at this point – it is a matter of waiting.

Mr. Irving acknowledged that the City and UHC have invested monies into the Crossings project. He indicated that UHC acquired the property because the City was having issues with some of the tenants. He informed the Council/Agency Board that there are eight tenants residing in this project, and that they are not receiving as much rent as if it were filled with tenants. He indicated that UHC has relocated residents in anticipation of moving forward with the rehab project; acknowledging that there was a financial consequence in moving forward with this project.

Mayor Pro Tempore/Vice-chairman Sellers indicated that the Crossings project is significant to the City and the community.

Jennifer Simmons, Habitat for Humanity, addressed the status of their projects and the reason for their request for bridge gap funding. She informed the Council/Agency Board that they fully fund their projects upfront and that the homeowners repay them. They are also the mortgage holders for 30 years. She stated that it is unusual for them to be coming to request a construction bridge loan as they try to stay away from loans. However, in this case, they are confident that they will eventually receive their State funding. She indicated that they stagger their funding sources. They are looking to bridge their Cal Home Development Grant and Cal Home Technical Assistance to get their project started. As they do not normally seek long term loans, it would be their goal to continue to raise funds to repay the loan, should the State not come forward with funding. If in one or two years the State does not know what it will be doing with its bonds and the CalHome program, they would have an internal mechanism to repay the loan.

Felix AuYeung, EAH, stated that he is pleased that the project has been moving forward at a steady pace. He informed the Council/Agency Board that they have applied for 9% tax credits, but that the application is only valid if the City of Morgan Hill makes a commitment for the financing that is required for this application. Without MHP funds, the 9% tax credit would be the only source of funding that would be available to them. He indicated that they are competing against 16 other projects in this geographical region, and that he anticipates only 3-4 projects to be funded. It would be these funds that would allow the project to move forward. It is his hope the City has the resources to assist this project.

No further comments were offered.

Council/Agency Member Lee felt that it made sense to keep projects moving forward that are currently under construction. It is her hope the State would be able to allocate the funds promised in short order; acknowledging that these are uncertain times at the State, a concern to her.

Mayor Pro Tempore/Vice-chairman Sellers expressed concern with the timing issue. He felt that the City could play a helpful role; noting that the majority of the funds it is being asked to commit to are in the form of loans. He felt that the City has flexibility in utilizing these funds, and that it would be an appropriate use of these funds; given the unique circumstances we are in. He addressed the down payment assistance program. He stated that he appreciates the direction that staff is heading as it would be vital to zero out based on interest rates. He felt that it would be important to make sure that perspective homeowners are able to make mortgage payments with assistance from the down payment assistance program. He supported the prioritization presented by staff.

Council/Agency Member Carr stated that he generally agreed with the prioritization as presented by staff. He recommended the Council/Agency Board discuss the rehab dollars, and to think about preparing for the inevitable need for these dollars. He felt that rehab projects meet multiple policy goals such as blight removal, creating a healthy living environment for individuals, and how the City approaches public safety. He felt that the Council/Agency Board needs to move rehab programs up in priority. He acknowledged that there are risks associated with the projects under construction, and that the City needs to find ways to protect these investments. For the multitude of public policy reasons that rehab benefits the community, the Council/Agency Board needs to think about how the City will be funding these projects, should the need arise. He acknowledged that the City wants these important projects to be completed. He felt that there would be additional discussions about risk over the next 6-12 months as staff returns with additional proposals. He stated that this is a risk he is willing to take in order to keep projects moving forward as they provide an opportunity for the City to invest dollars back into the community and create/stimulate jobs. He stated that he agreed with staff's prioritization with the caveat that the Council/Agency Board would be thinking about rehab projects as well.

Council/Agency Member Librers stated her support of the prioritization of the projects as presented by staff. She felt that the Council/Agency Board is at a point where it has to take a leap of faith and believe that the economy will turn around. By stepping up and getting these projects started/completed, the City would be showing faith. She looks forward to hearing what staff will be bringing back to the Council/Agency Board.

Mayor/Chairman Tate agreed that rehab programs are important to the community; acknowledging that these are not factored into the priorities in front of the Council/Agency Board. He noted that there are no rehab projects before the Council, but that he would approve placing rehab projects at the top; making sure that there is funding available in the future to address rehab projects. He stated his support of staff's recommended prioritization.

Mr. Toy informed the Council/Agency Board that staff would return with amended contracts based on Council/Agency Board direction as every project would require some level of amendments to existing agreements.

Planning Manager Rowe presented a report on the Housing Element update; indicating that most of the policies contained in the current Housing Element will be carried forward in the updated Housing Element. However, there are four policy areas that need to be addressed:

1. Regional fair share housing needs progress and land use inventory. He stated that Morgan Hill is in a good position to address the regional housing needs allocations for the period expanding from 2007 through 2014, if there is a timely recovery in the housing market/economy. If this is not the case, the city may not achieve the total numbers identified, but that this would be the case for other communities. Staff projects that with the allocations that can be authorized through the RDCS through 2014, this should not be an impediment and that the City should be able to achieve these numbers.
2. A change in the State Housing Law that currently requires local cities/counties to plan and identify locations in zoning districts where emergency shelters and transitional housing are allowed by right (permitted use) to accommodate the needs of homeless individuals. In order to comply with this state mandate, staff recommends the public facilities general plan designations and zoning districts be amended to a “public/quasi-public use” to allow emergency shelters and transitional housing as permitted uses. Staff further recommends that churches and religious institutions be allowed to operate shelters as ancillary uses to their services. It was indicated that the last homeless survey conducted in 2007 identified 24 individuals/family members that were homeless. The 2009 survey has shown that this number has grown significantly.
3. Look at the changing community demographics. As the City has a managed growth rate in place, the trend is predictable with the City achieving a population of 48,000 in 2020. One item that has changed is the rapid increase in the senior population. In 2008, there were 5,000 residents in the 60-80 age range. By 2023, this number would double to approximately 10,000. Therefore, the Housing Element policies will need to be revised to respond to these changes.
4. The existing general plan contains policies supporting appropriate small lot, single family development. However, the City’s current single family medium designation only allows densities of approximately 3-5 dwelling units per acre. Staff proposes to create a new general plan and zoning designation to be called “single family high” that would allow for smaller lots (e.g., 4,000 square foot lots). To ensure that the size of the homes are appropriate for the size of the lots, there will be floor area ratios and second story setback requirements to provide appropriate spacing and setbacks between dwellings.

Council/Agency Member Carr referred to the mandated emergency/transitional shelter by right zoning. He read or has heard that in the 2009 homeless survey, the number of Morgan Hill’s documented homeless has grown significantly. He inquired as to the best way to serve the homeless individuals in Morgan Hill. Would the City establish an emergency/transitional shelter for the homeless, or would the City be providing continued support through the Sobrato Transitional Housing or other established programs?

Planning Manager Rowe stated that the requirement for shelter or transitional housing does not address the problem of the homeless. He indicated that there are other programs currently being developed that would get homeless individuals into housing as the first order of business, and then provide access to

services and means to reside in permanent housing. He stated that this is somewhat out of date with current practices for addressing the homeless. However, this is a State mandate and the City has to provide for the homeless.

Mayor Pro Tempore/Vice-chairman Sellers did not believe the mandate is advocating the City try to develop a homeless facility/shelter. It was his belief the mandate was designed to address the communities where it was felt that they were shirking their responsibility in this regard. He did not believe Morgan Hill is shirking its responsibility.

Council/Agency Member Carr felt that it is the City's role to make sure that it is not putting up road blocks to homeless/emergency shelters. The City could develop a housing element that has no intention of fulfilling any of these mandates. When you talk about the "by right zoning", he felt that the Council needs to be intentional about how it does this and how we, as a community, plan to provide services to a homeless population. The City will be supporting established facilities that are providing these services in close proximity to Morgan Hill. The City needs to make sure that these services are available and successful to Morgan Hill's homeless population. Even if the Council agrees to change a portion of the general plan, he felt the Council still needs to talk about serving the homeless population.

Business Assistance & Housing Services Manager Ordoñez responded to Council/Agency Member Lee's question by stating that the homeless population in Morgan Hill is currently at 104; indicating that this is a four-fold increase from 24. He said that it is not known if this number would increase based on the impact of the recession.

Action: *The City Council/Agency Board **Provided** the above comments.*

City Council Action

OTHER BUSINESS:

16. PENINSULA CITIES COALITION – HIGH SPEED RAIL

Mayor Tate indicated that he was approached by a member of the Palo Alto City Council at a Cities Association meeting. Morgan Hill is being asked to join a coalition that is now meeting monthly in Palo Alto. He stated that the material attached to the staff report explains the reasons why Morgan Hill should be cooperating on the high speed rail questions. It was his belief that Morgan Hill has to work regionally with the City of Gilroy before looking to the north. It was his hope to speak with Gilroy Mayor Pinheiro at a meeting he attended yesterday, but that Mayor Pinheiro did not show up for the meeting. He felt that additional work needs to be done in South County.

City Manager Tewes informed the Council that he recently had the opportunity to meet with the technical staff of the High Speed Rail Authority, and that they have indicated that they have taken the comments made by the City of Morgan Hill and others in South County seriously in scoping their environmental impact report. He said that the Authority is pursuing a number of alternatives that would address the City's comments and that they are looking for a forum/place to share the alternatives/options

with the Morgan Hill and Gilroy City Council members; engaging the community. However, he stated that some of the comments from the two communities cannot be reconciled.

Mayor Pro Tempore Sellers said that he has been pushing hard on the governance issue because it is imperative to have regional representation on these large regional transportation issues. He stated that the issues the City would be dealing with in Morgan Hill are fundamentally different from the issues being faced in the Peninsula. He said that a stop and alignment issue would have different impacts. He agreed with Mayor Tate that the City needs to coordinate its thoughts with the City of Gilroy. He indicated that the approach the Peninsula is taking is more litigious versus the approach Morgan Hill may want to take. Should the Peninsula become more contentious and aggressive, the Council will need to evaluate this as Morgan Hill may not want to be a party to legal actions. He supported holding off on the request to join the coalition until Morgan Hill has had the conversation with the City of Gilroy.

Mayor Tate clarified that there were two individual cities that sued the High Speed Rail Authority, not the coalition.

Council Member Carr agreed that the cities in South County need to be in alignment. He felt that the issues raised by the peninsula group are Morgan Hill's issues as well as how the high speed rail will separate communities, will change right of ways of streets, change the design of communities, etc.; acknowledging that the peninsula group may want to address them differently. The need for a location stop in South County is less important than where the route will be and how the route will affect Morgan Hill. He felt that this needs to be at the top of Morgan Hill's list of issues for high speed rail; acknowledging that this may not be at the top of the City of Gilroy's list as it may be a station location that would be at the top of their list. However, it was his belief that Morgan Hill would be able to work with Gilroy on this. He supported having Mayor Tate continue his talks with Mayor Pinheiro on how the two cities can come together on high speed rail from a South County perspective.

Mayor Pro Tempore Sellers stated that the location of the station will determine the route through South County. He acknowledged that Morgan Hill does not care where in Gilroy the station is to be located, except for the impacts to Morgan Hill. If located in downtown Gilroy, high speed rail would need to go through Morgan Hill's right of way; cutting the downtown in two. Should the station be located on Highway 101, it would become an easier decision for Morgan Hill as this would result in fewer impacts to this community.

Mayor Tate opened the floor to public comment. No comments were offered.

Action: *By consensus, the Council **Agreed** to hold off on Joining the Coalition, but not discarding the invitation.*

17. VOTING DELEGATE TO THE 2009 LEAGUE OF CALIFORNIA CITIES ANNUAL CONFERENCE

Mayor Tate stated that it is the normal practice to have the Mayor designated as the voting delegate; indicating that he would not be available to attend the September 18 League of California Cities' business meeting.

Mayor Pro Tempore Sellers indicated that the Council has had a long standing tradition of designating the newest member on the Council to represent the City at this significant event. He suggested that Council Member Librers continue the tradition and represent the City as the primary voting delegate.

Action: *By consensus, the City Council **Appointed** Council Member Librers as the City's Primary Voting Delegate and Mayor Pro Tempore Sellers as the Alternate Voting Delegate to the League of California Cities' Annual Conference; and 2) **Directed** the City Clerk to Complete the Voting Delegate Form and **Forward** Said Form to the League of California Cities.*

FUTURE COUNCIL AGENCY-INITIATED AGENDA ITEMS

No items were identified.

ADJOURNMENT

There being no further business, Mayor/Chairman Tate adjourned the meeting at 9:25 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY